



Lottery for Education and Lottery for Education Reserve: Tennessee State Funding Board

December 14, 2012

***Andrew C. Palmer, CFA
Deputy CIO***



Agenda

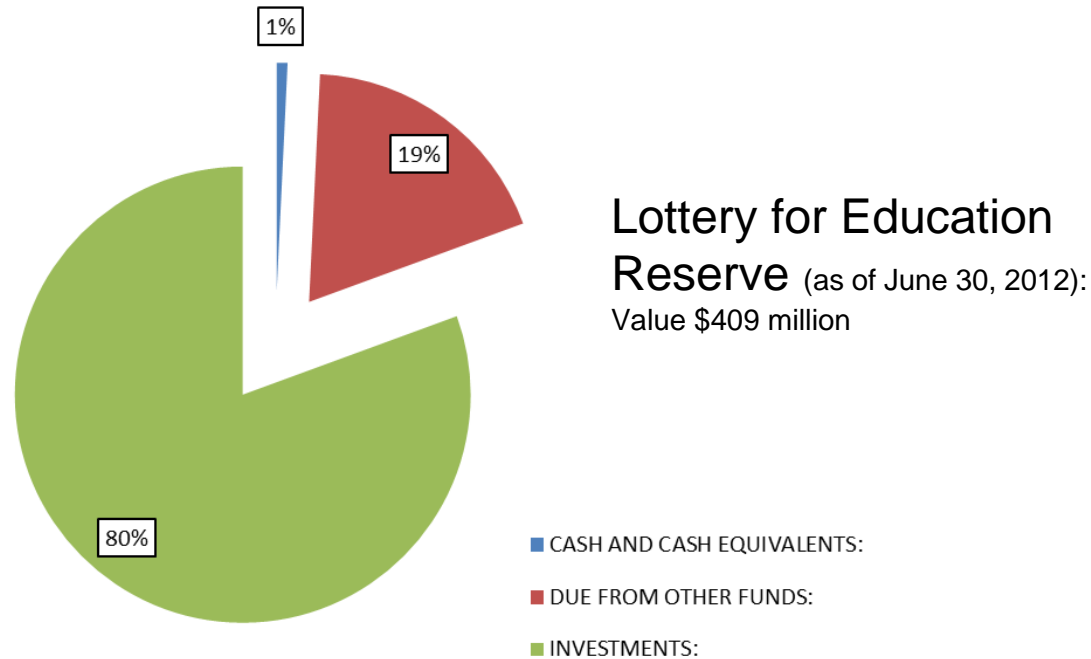
Asset Allocation Recommendation

Long and Intermediate Portfolio Results

Projection of Investment Earnings



Asset Allocation Recommendation



Adjusted* FY 2012 Average SPIF BALANCE: \$5 million

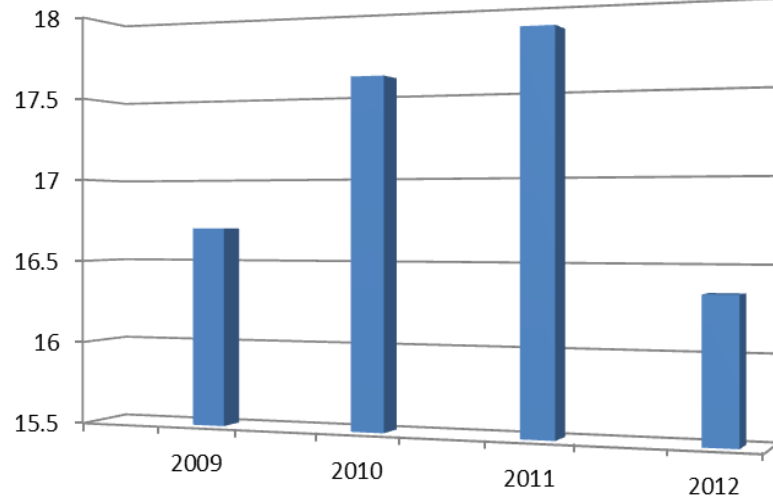
FY 2012 Change in Fund Balance: \$16.6 million

Recommended Asset Allocation 80% Long and Intermediate Portfolio

*Adjusted to reflect \$32 million transfer at the beginning of the year

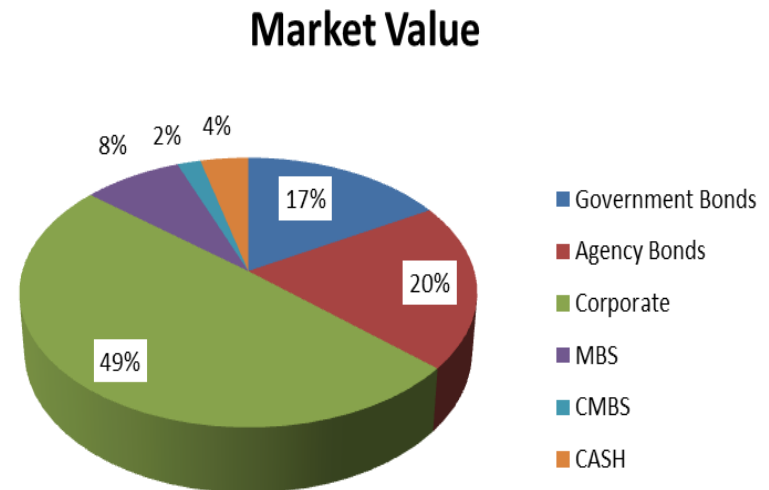


Long and Intermediate Portfolio - Results



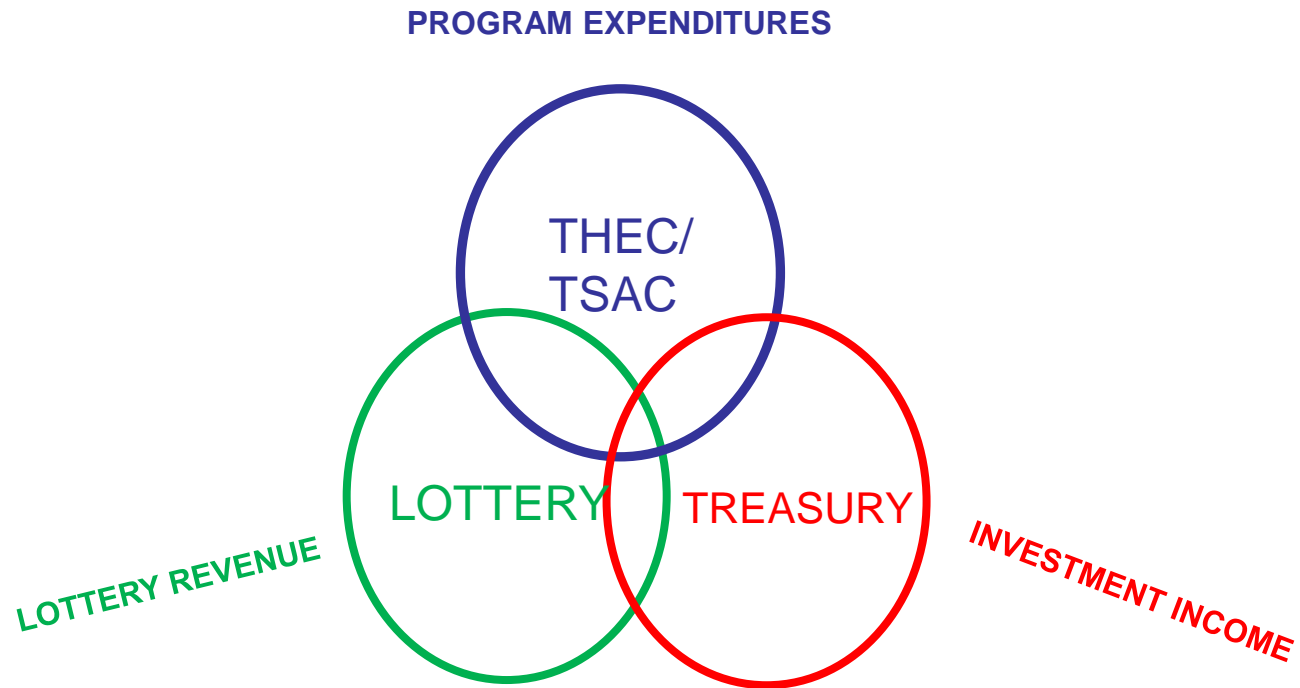
Interest Income Received

Portfolio Composition



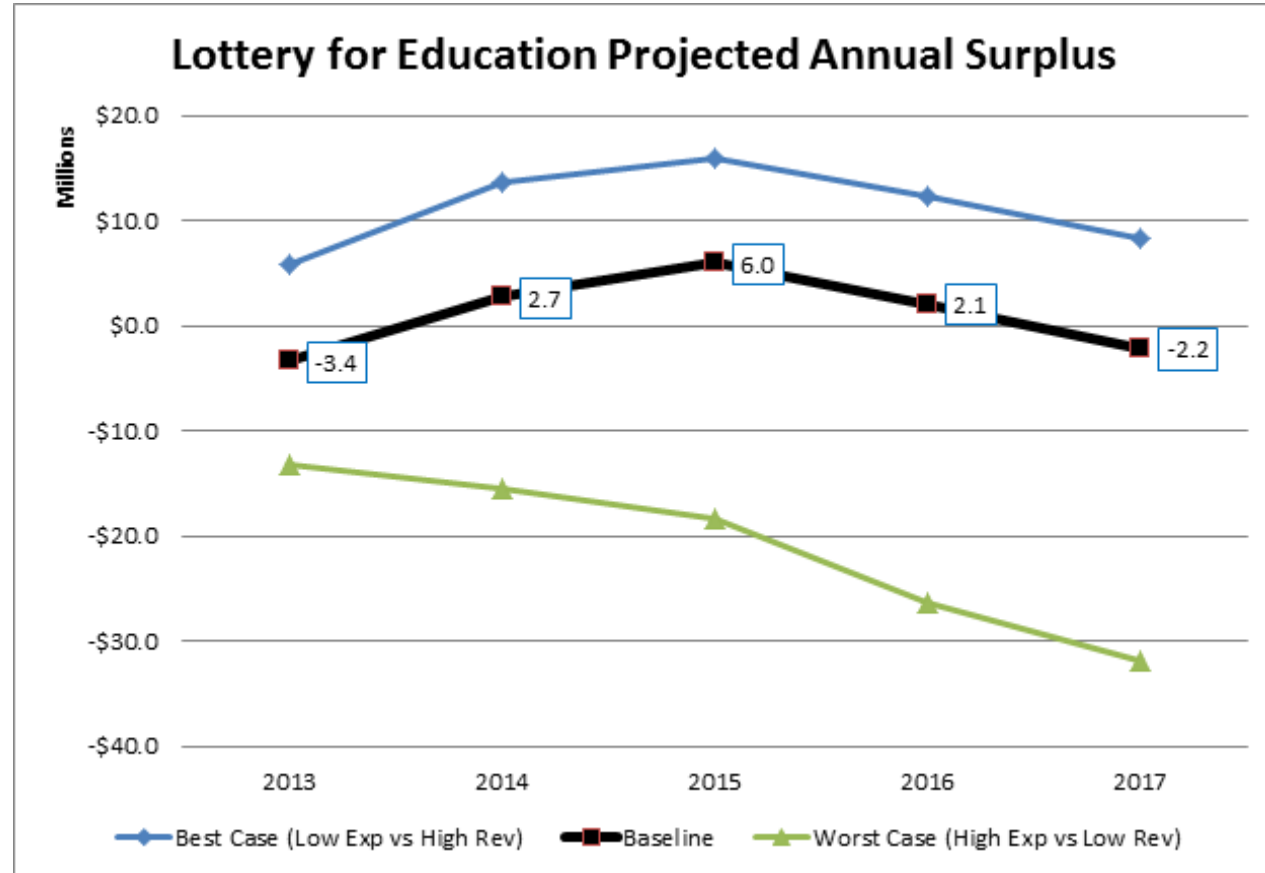


Components of the Lottery for Education Program



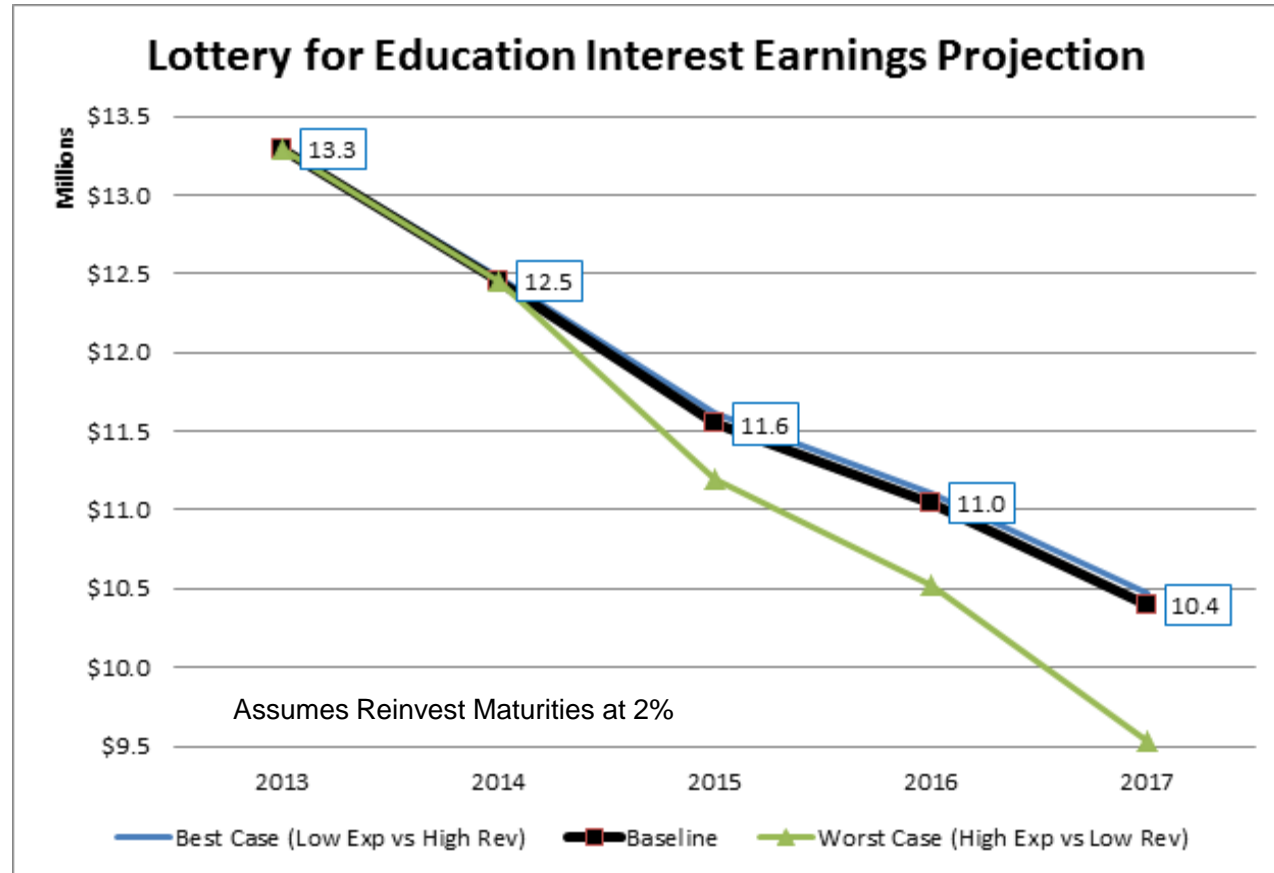


Projection of Investment Earnings



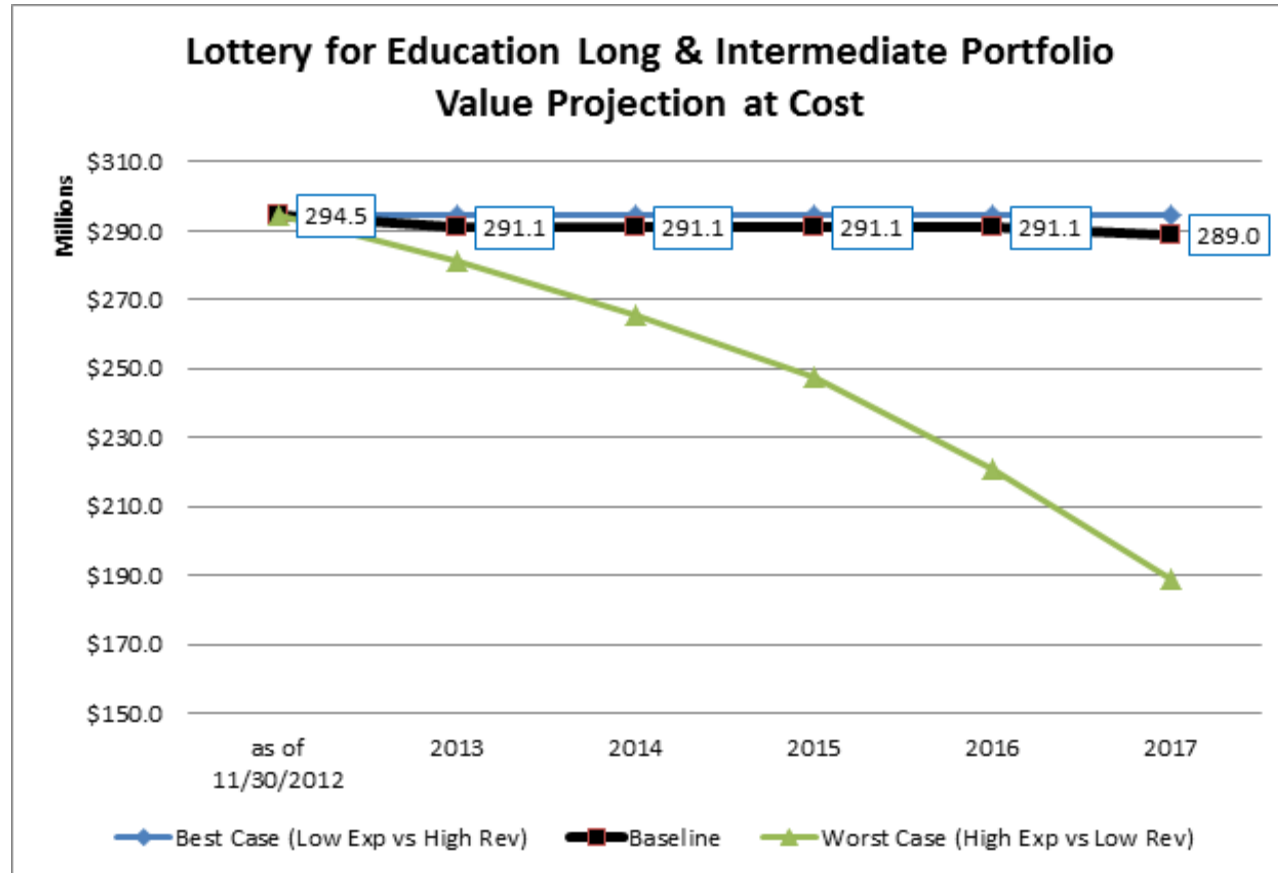


Projection of Investment Earnings





Analysis of Components of Lottery for Education Reserve





Summary

The Recommendation is 80%/20% for the Allocation of the Lottery For Education Reserve Between the Long and Intermediate Portfolio and Cash, Cash Equivalents and Other Assets

Lottery Interest Earnings Will Decline in Coming Years as Principal is Reinvested at Lower Yields.

Based on Projections, the Long and Intermediate Principal Balance Will be Stable Unless Expenditures Reach the Projected High Levels.